



## Memorandum # 46/2002

Commonwealth of Massachusetts | Public Employee Retirement Administration Commission  
Five Middlesex Avenue, Third Floor, Somerville, MA 02145  
Ph 617 666 4446 | Fax 617 628 4002 | TTY 617 591 8917 | [www.mass.gov/perac](http://www.mass.gov/perac)  
Robert E. Tierney, *Chairman* | A. Joseph DeNucci, *Vice Chairman*  
C. Christopher Alberti | Kenneth J. Donnelly | Eric A. Kriss | James M. Machado | Donald R. Marquis  
Joseph E. Connarton, *Executive Director*

### M E M O R A N D U M

TO: All Retirement Boards

FROM: Joseph E. Connarton, Executive Director

RE: Local Government Early Retirement Incentive Program Follow-Up

DATE: December 6, 2002

In our prior PERAC Memos #24/2002 dated May 24, 2002 and #29/2002 dated July 2, 2002, we outlined the provisions, and some administration issues, with respect to Chapter 116 of the Acts of 2002. As you know, Chapter 116 established a local option to allow cities, town, counties, authorities and districts to offer an Early Retirement Incentive program (ERI) for eligible employees. The purpose of this memorandum is to follow up with all Boards in which any governmental unit accepted Chapter 116 to request your assistance in compiling local acceptances and determining costs upon acceptance.

#### Notification to PERAC

The Legislative Authority and the Executive Authority must have accepted the provisions of Chapter 116 on or before November 1, 2002. For any governmental unit within your system that has accepted the ERI, the Board should notify PERAC (if you have not already done so) with the details of the acceptance. Boards should follow up with all of their governmental units to determine which units have accepted. Thus far we have received notification that 183 governmental units have adopted Chapter 116.

Please provide the date of acceptance, any limitations on the number of years added to age or service, any limitations on the number of members who may retire under the program, and the established date of retirement. This information should be provided to Lindsay Deaver at (617) 666-4446 extension 937; alternatively, you could provide this information via e-mail to [Lindsay.M.Deaver@state.ma.us](mailto:Lindsay.M.Deaver@state.ma.us).

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TO: All Retirement Boards  
FROM: Joseph E. Connarton, Executive Director  
RE: Local Government Early Retirement Incentive Program Follow-Up

Data to be provided to PERAC after retirement

The act requires PERAC to complete a report for each retirement system accepting the ERI before December 31, 2003. It is our intention to begin our analysis for a system as soon as the necessary data is made available to us. We expect that we will begin to issue our reports in early 2003. Thus far we have received data from 22 governmental units.

In order to complete this analysis, we will require data for each member electing to retire under the ERI. The following information should be provided:

- Name
- Social Security Number
- Date of birth
- Date of retirement
- Total Credited Service at retirement (before ERI)
- Average Annual Compensation at retirement
- Annuity Savings Fund Balance at retirement
- Years added to age under ERI
- Years added to service under ERI
- Annual allowance at retirement with ERI
- Optional form of benefit selected (A, B, or C)
- Beneficiary date of birth (if applicable)

We are requesting the files be provided via diskette in an Excel spreadsheet, although we are available to discuss other formats. We request that this information be provided as soon as it is available.

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Private Actuarial Studies

As mentioned above, PERAC must complete these reports by December 31, 2003. We expect we will be performing the calculations of the cost based on data provided. However, in some cases, the Board may be hiring a private actuary to complete these calculations. Although PERAC is still required to complete our report, we will use another actuary's report if one is provided. Please contact our actuary, James Lamenzo, if a private actuary will be calculating the cost of the ERI for your system.

Funding Schedules

The final issue to be discussed in this memo is the funding schedule. We expect some systems will adopt the ERI cost as an addition to a currently adopted funding schedule. Other systems may determine a revised funding schedule based on a current actuarial valuation. However, in either case, the Board needs to determine the amortization period and schedule (level or increasing) for the ERI component.

We recommend that systems adopt a 15-year level amortization of the cost increase due to the ERI. This is the same schedule that was used at the time of the last local ERI. The schedule pays for the cost of the ERI substantially during the lifetime of those members affected. However, the legislation did not specify an amortization period to be used to amortize the ERI. Therefore we would allow other amortization schedules. The Board should adopt an amortization schedule for the ERI and notify Mr. Lamenzo of this decision. If the Board wishes to discuss this issue further, please contact Mr. Lamenzo directly.

Please call us with any questions.